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Employer Investment in Higher
Apprenticeships in Accounting

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The views expressed in this report are the authors' and do not necessarily reflect those of the Department for Business, Innovation and Skills.

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1. Introduction

1.1 Aims of the study

Apprenticeships to date have been principally provided at Level 2 and 3. Increasingly, Apprenticeships are being offered at higher levels – at Levels 4 and above – such that Apprenticeship increasingly provides a vocational entry path to associate professional and professional occupations. Accountancy is one of the areas where there has been a relatively high level of participation at Level 4 (that is, in Higher Apprenticeships), thereby opening up entry to a range of associate and professional jobs in accountancy to apprentices. This report provides an assessment of employer investment in Higher Apprenticeships in Accounting (Level 4). More specifically the study considers:

- employers' rationales for participating in this form of training;
- the relative merits of Apprenticeship compared with other training leading to qualification at the same level;
- the structure of training;
- the various costs and benefits which accrue to the employer; and,
- Employers' plans to continue with this form of training in the future.

In addressing the above issues the study adopts the same approach used by IER in the Net Benefits of Apprenticeships to Employers series of studies.¹ The current study is based on semi-structured interviews with employers in which they reflected upon their recent experiences of Higher Apprenticeships in accounting and, where applicable, their assessment of how Apprenticeship compares with the programmes of training at the same level which they had used previously.

The study is based on the data provided by nine employers who were interviewed between July and October 2013. Whilst the study provides an in-depth insight into employers' experiences of engaging in Higher Level Apprenticeships, the results are based on a modest number of observations. Accordingly, the findings from the study should be regarded as indicative rather than definitive.

Appendix A contains the semi-structured interview schedule used in the study.

¹ Hogarth, T., Gambin, L., Winterbotham, M., Koerbitz, C., Hasluck, C., Baldauf, B. (2012) *Employer Investment in Apprenticeships and Workplace Learning: The Fifth Net Benefits to Employers Study*, London: Department for Business Innovation and Skills, Research Report 67; Hogarth, T., G. Siora, G. Briscoe and C. Hasluck (1996) *The Net Costs of Training to Employers*. London: HMSO

1.2 The Higher Apprenticeship in Accounting

The first Higher Apprenticeships in England commenced in 2006/07, and the first learners on Higher Apprenticeships in Business, Administration and Law – which encompasses accounting - started in 2008/09. The number of Higher Apprenticeship starts in this area has grown from 90 in 2008/09, to 1,300 in 2009/10, and rising further to 3,390 in 2011/12.

The Higher Apprenticeship in Accounting is one of 41 Higher Apprenticeship frameworks now available. Upon completing a Level 4 Apprenticeship in Accounting, apprentices will have achieved the AAT Level 4 Diploma in Accounting. Individuals thereby attain the full AAT Accounting Qualification. As of 1 September 2013, the Higher Apprenticeship in Accounting also includes the AAT Level 4 Diploma in Business Skills.

The key, mandatory learning and assessment areas for the Diploma in Accounting within the Higher Apprenticeship are:

1. financial performance;
2. budgeting;
3. financial statements; and
4. internal control and accounting systems.

Apprentices also choose two additional specialist units to study.

The Level 4 Diploma in Business Skills is made up of the following units:

- working in teams;
- planning and delivering business communication activities;
- evaluate and improve own performance in a business environment;
- spreadsheet software;
- deliver a presentation;
- organising and facilitating meetings and workshops;
- developing commercial awareness;
- managing project finances.

After completion of the Level 4 Higher Apprenticeship the possible onward progression routes include: Foundation Degree in Accounting; various degree programmes in Accounting and Finance; or training towards chartered or certified status for which the Level 4 Apprenticeship provides some examination exemptions.

The funding attached to Higher Apprenticeships in Accounting, like all other Apprenticeship programmes, is dependent upon the previous attainment and age of learners. Where learners are aged 16 to 18 years old when beginning the Apprenticeship,

the programme is fully funded by the State. Lower levels of funding are available for learners aged 19 to 23 years and there is an expectation that the employer will contribute to meeting the costs of the training provider. At the time of the study, no Government funding for Apprenticeships was available for learners aged over 24 years undertaking a Level 3 qualification or higher. Instead, from 1 August 2013, 24+ Advanced Learning Loans were available for learners undertaking Advanced or Higher Level Apprenticeship Frameworks. Since the time that this study was carried out however, the Advanced Learning Loan policy has been changed such that learners aged 24 years and older will no longer be funded through these loans.² In the case of the Higher Apprenticeship in Accounting, the vast majority of starts are from younger individuals to whom the loans policy would not have applied.

The focus in this study is upon employers' experiences of Higher Apprenticeships in Accounting. It needs to be borne in mind that Apprenticeship is not the only route through which employers can support their staff in training to Level 4. Employers have the option of enrolling their trainees on alternative training programmes which lead to the AAT Diploma in Accounting but which do not contain the additional components encompassed within the Higher Apprenticeship. Employers were asked about the Apprenticeship route and how it compared with the alternatives available to them.

1.3 Employers with Higher Apprentices in Accounting

In total, interviews were carried out with nine employers who were currently training, or had recently trained people through the Level 4 Higher Apprenticeships in Accounting. An overview of the characteristics of these employers is provided in Table 1.1. All but two of the employers were accountancy firms. The other employers included an education establishment which had taken on an accounting apprentice in its finance office and a county council which also had apprentices in its finance department and, occasionally, in other departments as well.

The size of the employers interviewed in this study varied from small accountancy practices with less than 20 staff to large employers (the council and education establishment both employed more than 5,000 people). Four of the accountancy firms were medium sized employers (50 to 249 employees), and one accountancy firm was a large employer (more than 250 employees).

Three of the employers in the study recruited apprentices directly into the Higher Apprenticeship programme. The remainder typically recruited apprentices into lower level Apprenticeship programmes – either the Intermediate Level 2 or Advanced Level Apprenticeship at Level 3 in Accounting – and then moved them onto the Level 4 programme. Employers in this second group tended to regard all three levels – Levels 2, 3 and 4 – as a single package. They talked about all three levels in the interviews even though the main focus of discussion was on the period over which apprentices were trained for the Level 4 qualification.

² SFA (2014) *24+ Advanced Learning Loans Policy Overview*. February 2014. London: Skills Funding Agency.
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/285746/Loans_policy_overview.pdf

Table 1.1: Description of case study employers

Case study Employer	Number of Employees	Business Type	Levels of Accounting Apprenticeships offered	Duration of Level 4 Apprenticeship in Accounting
Employer 1	400	Accounting firm	Level 2, 3, 4	1 year
Employer 2	70	Accounting firm	Level 2, 3, 4	1 year
Employer 3	12	Accounting firm	Level 4	1 year
Employer 4	6,000	County Council	Level 2, 3, 4	18 months
Employer 5	190	Accounting firm	Level 4	2 years
Employer 6	60	Accounting firm	Level 2, 3, 4	1 year
Employer 7	11	Accounting firm	Level 2, 3, 4	1 year
Employer 8	120	Accounting firm	Level 4	2 years
Employer 9	5,000	Education Establishment	Level 2, 3, 4	1 year

1.4 Structure of the Report

The remainder of the report proceeds as follows. In Chapter 2, the employers' reasons for engaging in the Level 4 Apprenticeship in accounting are described along with how they recruited their apprentices. Chapter 3 considers the relative merits of the Level 4 Apprenticeship compared with other forms of training lead to qualification at Level 4 in accounting. In Chapter 4 the structure of Apprenticeship training is described along with an estimate of the net costs of training to the employer of delivering this training. A conclusion is provided in Chapter 5.

Throughout the report a distinction is made between Apprenticeship, with an upper case A, and apprenticeship. The former refers to the Government funded programme of training, whereas the latter refers to the generic form of workplace training some of which may fall outside of the Government programme.

2. Employer Recruitment and Retention of Apprentices

2.1 The Decision to Train

All of the accountancy companies said that they had been recurrent recruiters, over a number of years, of school or college leavers who trained towards attaining their AAT qualification and, in some cases, went on to higher level qualifications in due course. These employers often recruited at a graduate level too though there was an expectation that the graduates would progress to chartered or certified status whereas this was less certain with respect to the school / college leavers they recruited. A number of employers emphasised their need to balance their workforce with regard to levels of seniority and, consequently, charge-out rates to clients. The roles apprentices would fill during the Apprenticeship and immediately after completion of training were less senior ones in many instances but nonetheless important roles for the company.

Employers felt that the training provided through the Apprenticeship and the resulting AAT qualification was valuable to both employer and employees. The employers said they required staff who had obtained practical experience of working with clients along with the acquiring the underpinning theoretical knowledge of accounting and auditing in gaining their professional accreditation. These staff were then ready to work with clients. For employees, the AAT qualification put them in good stead for career progression and further training (for example, to ACCA or ACA level).

Box 1 below summarises the main reasons why a small accounting firm took on apprentices.

Box 1: Small Employer's Rationale for Recruiting Apprentices

The employer is a small accounting firm with 12 employees. They typically take on one apprentice every two years and also have trainees studying for ACA and / or ACCA accreditation. This company mainly trains apprentices for commercial purposes – they require a balance of staff at different levels and they see value in the training towards AAT and other accounting qualifications as they are 'known quantities'. Such professional designations are expected and accepted in their industry and the company needs different grades of staff to carry out various business functions, such as auditing.

This employer also felt that training people helped them to meet their future skill needs in a cost-effective manner. Apprentices are recruited into a five to six year programme which encompasses the Level 4 Apprenticeship in Accounting in the first year. During the remaining years, they undertake training to complete the higher professional qualification ACCA. Only the first year then comprises a Higher Apprenticeship.

During the Higher Apprenticeship (the first year of the total training programme the employer uses), the costs of the training delivered by the provider was free, and the apprentices, who were paid a training wage (which is above the National Minimum

Box 1: Small Employer's Rationale for Recruiting Apprentices

Wage (NMW) for apprentices), were able to carry out productive activities. This model was much valued by the employer.

Source: IER Net Costs and Benefits of Training in Accounting Study

This view was echoed by a larger accountancy practice (see Box 2).

Box 2: Large Accountancy Practice's Rationale for Recruiting Apprentices

The company has 120 staff. The company provides two entry paths into accountancy: (i) to school / college leavers with A-levels; and (ii) graduates. The company has a long history of taking on school / college leavers several of whom have gone to occupy relatively high level positions in the organisation. In theory, A-level recruits can attain the same levels of seniority as graduate recruits in the organisation, though it tends to be graduates who are most likely to attain chartered or certified status. There were, however, a range of less senior roles in the organisation which needed to be filled. Those achieving the AAT standard were well suited to these roles if they decided not to go on to higher levels of training.

The attraction of the Apprenticeship programme over the training the company previously provided leading to completion of AAT was that the Apprenticeship may prove more attractive to the type of young people the company was trying to recruit: A-level students with good numerical skills..

Source: IER Net Costs and Benefits of Training in Accounting Study

For the non-accountancy practice employers the motivation behind their decision to train people through the Higher Apprenticeship in Accounting was somewhat different, though both employers recognised many of the same benefits as the accountancy firms. Within the county council (Employer No. 4), engagement in this form of training was driven not just by the need to have individuals with suitable skills for carrying out jobs within its organisation, but also a need to improve retention rates and increase staff motivation given that its apprentices were existing employees. It could achieve this by providing employees with a qualification which the employees recognised as possessing value. This employer, however, had recently stopped delivering the Level 4 Apprenticeship - though they still provided Apprenticeships at Levels 2 and 3 – because it was relatively expensive compared to delivering a standalone AAT qualification.

The education establishment – Employer No. 9 – was new to providing Apprenticeships in Accountancy. They had previously recruited fully qualified accountants but had been impressed by a student who worked with them whilst studying part-time for the AAT qualification. This led the organisation to consider engaging in Apprenticeships and it developed a business case for the senior management team of the organisation. It currently had an apprentice who was working towards a Level 4 qualification. For the organisation the Apprenticeship potentially fulfilled a business need and contributed to its corporate social responsibility of providing learning and employment opportunities in its local area.

2.2 The Business Case for Training to Level 4

Most of the accountancy practices had been training members of their staff to AAT Level 4 and higher qualifications (e.g. ACA, ACCA, CIMA) for many years. In many respects they had been providing apprenticeship-like training which led to AAT qualification in that it combined practical workplace experience and classroom training. With the introduction of the Apprenticeship framework at Level 4 this provided an opportunity to deliver the training to 16-18 year olds through the Government funded programme. Whilst training through the Apprenticeship might confer some advantages over their previous models of training, the principal motivation to engage in training young people at all was a belief that they could fulfil a valuable role in the organisation. This need could not necessarily be met through recruitment of already qualified accountants from the external labour market. Whilst they were training, the apprentices could carry out various productive tasks and could be schooled in the practices of the employer. When they had completed their training they were an even more valuable asset to the employer and the accountancy profession more generally, but they were likely to stay with the company which trained them compared with someone recruited from the external labour market.

The need for staff to be AAT qualified and the relatively cost-effective means of doing so through the Higher Apprenticeship were the two most often cited reasons for employers engaging with Level 4 Apprenticeships. Many employers also cited other, additional reasons for providing Apprenticeships at Level 4:

- employers can train people in the company's own ways and within a particular work culture, more so than when recruiting graduates or part / fully qualified workers. This, a number of employers felt, was valuable as it means that young people do not start off with bad habits which they may have picked up working elsewhere and it also helped in developing apprentices as future managers and partners;
- it allows employers to fulfil their corporate social responsibility objectives. For example, some employers drew attention to high levels of youth unemployment and how providing training to young people helped address this problem. Even if they employer was unable to provide permanent employment at the end of the training at least the young person would have acquired a relatively valuable qualification which would be likely to lead to employment with another firm;
- it increased the diversity of the workforce. One employer noted that through the Apprenticeship they have attracted some excellent members of staff which it would not have otherwise considered since their academic background was not typical of the trainee accountants they recruited at graduate level.

Box 3 below summarises the training decision for one employer which reflects not only the cost-effectiveness of Level 4 Apprenticeship training but also a variety of other benefits it was able to obtain.

Box 3: Multiple Benefits from Engaging in Level 4 Training

This employer - Employer No.7 - is a small firm of accountants which has been operating for around 10 years. They currently had one apprentice who had completed at Levels 2 and 3 with the employer and was currently working towards completion of a Level 4 Higher Apprenticeship.

For this employer, the cost-effectiveness of the Higher Apprenticeship was the principal

Box 3: Multiple Benefits from Engaging in Level 4 Training

reason for their engagement, but it also saw other significant benefits stemming from the training it delivered. It felt that training young people through an Apprenticeship allowed for them to be 'trained in the company way' and eliminated the need (and therefore the associated time and cost) to break 'old habits'. The employer also felt that it was good for the company's image to be seen as supporting Apprenticeships and that it was 'ethically attractive' to provide training for young people given the current level of youth unemployment.

Source: IER Net Costs and Benefits of Training in Accounting Study

Whilst many of the employers cited Apprenticeship as being particularly cost-effective in delivering the training they required, the most important objective was ensuring that their apprentices obtained their Level 4 AAT qualification. Apprenticeship was one means which allowed them to do this but there were alternatives available as well. As will be seen in Chapter 3 employers saw particular benefits from using Apprenticeship, rather than something else, in training to this level but not always.

2.3 Recruitment and Selection of Level 4 Apprentices

The framework specification for the Higher Apprenticeship in Accounting notes that individuals can progress onto the Level 4 Higher Apprenticeship from the following previous learning / qualifications:

- GCSEs and alternative qualifications;
- A-levels;
- 14 to 19 Diploma;
- Welsh Baccalaureate;
- Level 3 Diploma in Accounting;
- Level 3 Advanced Apprenticeships in Accounting, Providing Financial Services, Payroll or other Level 3 Advanced Apprenticeship.

These entry requirements were reflected by employers in the interviews. For those which offered Apprenticeship training beginning at Levels 2 or 3 in Accounting, GCSEs were the typical pre-requisite. All employers noted the need for a certain level of ability - and qualification - in Mathematics and English. This was required due to the nature of accountancy which required people to have good mathematical skills and writing skills when communicating with clients. Where apprentices commence their training with the employer at a higher level (i.e. direct entry in to the Higher Apprenticeship), employers usually required good A-Level results. Many employers felt that the requirements were similar to what would be required from individuals looking to enter High Education.

Depending on the level at which apprentices started their training in accountancy with an employer, apprentices ranged in age between 16 and 24 years or older. The education establishment – Employer No. 9 - had taken on its apprentices at age 16/17 years when the apprentice started the Level 2 Apprenticeship. Within the county council – Employer

No.4 - many apprentices were existing members of staff who were 24 years of age or older. Within the accountancy firms, apprentices were usually taken on as new members of staff and were either school leavers at 16/17 years of age if commencing a Level 2 or 3 Apprenticeship, or school / college leavers at age 18 /19 years who had completed their A-levels if commencing a Level 4 programme.

Employers used different means of advertising their Apprenticeship vacancies. Some used word-of-mouth in their local area and many relied on advertising through their training provider. Only two employers indicated that they used the NAS Apprenticeships Vacancies System. Overall employers felt that there was a significant amount of interest in their Apprenticeships and that they received a substantial number of applications for each place on offer. Many of the employers were satisfied that applicants achieved at least the minimum standard required for entry into the Apprenticeship.

The training provider was often involved in, and sometimes wholly responsible for, the initial sifting of applicants. After the training provider had undertaken an initial sift, employers would sometimes undertake a further review before inviting applicants for interview. Only one employer required candidates to undertake any assessments or tests as a part of the selection process. Most often the selection process involved one or two face-to-face interviews with the employer. Employers indicated that in the interviews they tried to assess candidates' suitability not just from an academic perspective but also their attitudes towards working and learning and the accountancy profession. In the accountancy firms employers wanted to be assured that potential recruits had researched the business and had a good idea of what working in the accountancy profession would entail. One employer noted that often their apprentices would have a family member or friend in the accountancy industry or who had undertaken similar training such that they had some insight into what the job and the training required of them.

2.4 Conclusion

This chapter has outlined why employers chose to train to Level 4 and what they sought from applicants looking to complete their AAT qualification. Those employers which were recurrent recruiters of trainees at this level were able to point to a number of business benefits stemming from this form of training. The next chapter considers the particular merits of training under the Apprenticeship framework rather than other forms of training which would lead to the achievement of the AAT qualification or equivalent.

3. The Relative Merits of the Level 4 Apprenticeship in Accounting

3.1 Introduction

As noted above many of the employers in the study had provided training to an equivalent level to that provided under the Apprenticeship for many years. Several employers had been persuaded to move over to the Apprenticeship programme by training providers³. This chapter considers the relative merits of Apprenticeship compared with the training employers had delivered prior to the introduction of the Level 4 Apprenticeship in Accounting. Employers' recruitment of graduates to training contracts (leading to higher qualifications such as ACA or ACCA designations) was also discussed in order to see how the use of apprentices and graduates relate to one other (for example, whether one substitutes for the other).

3.2 Use of Alternatives to Apprenticeship for Level 4 in Accounting

As noted above, in the accountancy practices, employers had a long history of training people leading to a Level 4 accountancy qualification through a form of apprenticeship-like training though not the Government funded programme. One employer pointed out that their provider had shifted its latest cohorts of trainees to Apprenticeship though, at least initially, the employer was not wholly aware of what changes this would bring about. For the employer gaining the AAT accreditation for the apprentice was the most important objective. It was, however, more cost effective to make this switch, the employer said, because the employer would not have to make a payment to the provider – as previously - or would make a smaller one (depending upon the age of the apprentice).

As the above suggests the employer's move over to Apprenticeship training was often prompted by a training provider. Many employers pointed out that providers had been active in persuading them to move over to Apprenticeships. Many employers felt that the Apprenticeship route made their training more cost-effective. As training leading to AAT qualification was essential to the needs of the business, and given that Apprenticeship was subsidised, moving over to Apprenticeships was considered the less costly option. One employer said that they would train people to Level 4 AAT with or without Government funding but whilst it was available they may as well take up the offer.

Given that funding is age specific this may have some impact on recruitment. Employers, however, were adamant that the funding arrangements had no impact on their recruitment. The best candidates would be recruited regardless of their age. As noted in the previous chapter many employers were typically commencing training at Level 4 at around 18/19 years of age. Employers indicated that they were open about the age of apprentices but

³ Often the training provider had previously been delivering the standalone AAT or similar non-Apprenticeship training for the employer.

they felt that taking people on directly after school was a good approach as they could be trained in the company's way and there was no need to break 'old habits' which might be the case with older, more experienced employees.

The main difference between the Apprenticeship route to a Level 4 accounting qualification and the non-Apprenticeship one appears to be the Diploma (Level 4) in Business Skills. Some employers felt that the Apprenticeship 'add-ons' had little value for them as an employer and were not convinced that they provided much benefit for the apprentice. Many felt that the business skills components comprised learning which would be part of the apprentices' job in any case and, consequently did not merit formal teaching or assessment.

One accountancy practice felt that even with the Government subsidy the Apprenticeship route introduced additional costs through time taken up in supervision and assessment, and amount of time apprentices were engaged in unproductive tasks. In this particular case, the additional costs meant that they had decided to move back to standalone AAT training. Box 4 below summarises this employer's views on the Apprenticeship.

Box 4: Apprenticeship relatively more costly than alternatives

Employer No.1 is an accountancy practice employing around 400 people including 14 accounting apprentices. The company has been involved with Apprenticeship training for about 14 years. They offered Apprenticeship training leading to qualifications at Levels 3 and 4 though they have recently stopped providing this training at Level 4 through the Apprenticeship route. The employer decided to use the Apprenticeship route initially as it worked out cheaper than the alternatives available which led to completion of the AAT qualification.

This year is the first time for several years that they have not offered the Level 4 Apprenticeship in Accounting. The employer has found that the change in the structure and content of the Level 4 Apprenticeship has meant that apprentices can no longer complete it within 12 months. Hitherto, the Level 3 and 4 Apprenticeships constituted the first two years of the company's training scheme which typically led to ACA qualification. The employer felt that the Higher Apprenticeship no longer met their needs. The programme now has 'too many bits' and add-ons which are unnecessary and only add time and complexity to the training.

The employer felt that the programme has introduced 'so many hurdles' for apprentices to pass and as a result it is becoming cheaper for the employer to pay the full cost of similar training outside of the Apprenticeship package. The employer said that as the AAT qualification is assessed through examination, the external assessment of the other components of the Apprenticeship were not necessary. Managers already verified the work of their apprentices and external assessment is therefore redundant and costly. Whilst the direct fees for the AAT are currently higher than the direct cost of the Apprenticeship, the employer reported that the time spent by managers and apprentices attending assessment meetings and in fulfilling other aspects of the Apprenticeship meant it was no longer the less costly way of training.

Source: IER Net Costs and Benefits of Training in Accounting Study

The county council – Employer No.4 - had also recently withdrawn from offering the Higher Apprenticeship in Accounting. In their case, the standalone AAT training at the same level was now less costly to fund than the employer contribution for the Apprenticeship (£700 for the standalone ATT compared with £2,000 to £2,500 for the Apprenticeship). This

employer tended to train individuals aged 24 years and older and therefore they were now required to pay a substantial financial contribution to the costs of the Apprenticeship. They were currently reviewing the provision of all Level 4 training in accounting as cost has an important bearing on the decision to train.

The message which employers conveyed was that the AAT qualification was the most important aspect of the training delivered at Level 4 and, in some respects they were indifferent as to the delivery mechanism by which their trainees or apprentices gained this qualification, so long as it was the most cost-effective means of doing so. Whilst many employers may have expressed a degree of scepticism about the additional benefit of delivering the training through Apprenticeship rather than some other programme – other than its cost-saving properties - there were positives some employers could point to.

The Apprenticeship brand, for example, is considered to be a relatively strong one and this helps attract well qualified young people, who may be tempted to pursue other options, to consider training in accountancy as the example below illustrates (see Box 5).

Box 5: The relative benefits of training through Apprenticeship

The company had 120 staff. The company had always taken on apprentices except that they were not called apprentices until recently. It was initially thought that the term apprentice would not attract school leavers to the business so called them account clerks instead. With the introduction of the Level 4 Apprenticeship the company decided to use this as a means of attracting young people to the business, but in using the national programme this has not affected, from the employer's perspective, how they deliver the Apprenticeship.

The company typically recruits people with A-levels to the programme. No particular A-levels are specified but it is expected that the apprentice will have good numerical skills (a good GCSE in maths), have an interest in accountancy and will have had some work experience in an accountancy company. In general, the company finds that it can recruit the quality of apprentices it wants every year.

The company also takes on graduates. There is no preference for one or the other and depending upon ability and inclination all can take the same further training course and attain the same level of seniority within the company. For example, one of the partners entered the business as an apprentice. It is felt that graduates and apprentices bring different things to the business. Graduates can bring a certain approach to problem solving, whereas apprentices are often well versed in the ways of the company. Because apprentices are trained within the company – rather than via the off-the-job training which graduates receive – they understand more the company's way of working.

The main benefit to the company of Apprenticeships is increasing the awareness of accountancy as a profession to young people leaving school with A-levels. This was a key benefit derived from moving over to Apprenticeships.

Source: IER Net Costs and Benefits of Training in Accounting Study

As noted in the previous chapter, by being able to persuade more young people to consider training in accountancy this had the impact of potentially bringing a wider range of people into the profession. It is also apparent that the corporate social responsibility reasons for training young people is very much allied to the Apprenticeship brand –

organisations feel they are contributing more by being associated with a national programme. In this way there may have been an increase in the number of people being trained as a consequence of the introduction of the Level 4 Apprenticeship.

3.3 Apprentices and Graduate Trainees

Most of the employers interviewed also recruited graduates to trainee positions. In some employers these graduates would be undertaking training towards chartered or certified status but the company also allowed for individuals who undertook the AAT Apprenticeship route to pursue higher level accounting qualifications, too. One employer who had both apprentices and graduates undertake ACCA or ACA training felt that it was an advantage that apprentices pursuing this route would be at relatively junior levels within the company for a longer period than would graduates. The example above in Box 5 also makes this point. This helped the organisation achieve its desired balance of staff at different levels in the organisation required to meet its business objectives. The employer also felt that apprentices were more realistic than graduates about the length of time it would take for them to become fully qualified accountants. Another employer indicated that they had no preference between graduates and apprentices. Both types of trainee could take further training course and attain the same level of seniority within the business. This employer, nevertheless, thought that graduates and apprentices brought different things to the company. Whilst graduates might bring a different approach to problem-solving apprentices are often well-versed in the company's ways of working.

3.4 Conclusion

The Level 4 Apprenticeship in Accounting is a relatively recent development. The evidence demonstrates that usually upon the advice of the training provider the employer had moved their existing training leading to a Level 4 qualification over to Apprenticeship. In many respects this was what was observed in the early days of the introduction of Modern Apprenticeships when employers moved their existing 'apprenticeship' programmes of training into the Government funded programme. It is fair to say that the employers in the study were not yet fully aware of how the shift into Apprenticeships had altered the training their providers delivered. It may be a little time yet before the benefits or costs of such a change become fully manifest. Employers are principally concerned with their trainees or apprentices achieving their AAT qualification. So long as the Apprenticeship route is relatively cost-effective compared with the alternative, employers will choose Apprenticeship.

4. The Net Costs of a Higher Apprenticeship in Accounting

4.1 The Structure of Training

Several employers which participated in the study commenced their Apprenticeship training at Level 2 or 3 which then led on to Level 4 such that the Higher Apprenticeship was not considered to be a separate and distinct training programme. Before the introduction of the Higher Apprenticeship, trainees would have worked towards the AAT qualification outside of the Apprenticeship programme. For most of these employers, each level took around one year to complete so that an apprentice could be expected to have attained the Level 4 qualification after three years of training with the employer if they had commenced at Level 2. For those employers where the Level 4 was undertaken without the preceding levels (i.e. where apprentices were taken on after A-levels), the employers indicated that the programme took between one and two years to complete. The details of the Higher Apprenticeship in Accounting offered by each employer, including the duration of training, are shown in Table 1.1 in Chapter 1.

All employers interviewed in this study indicated that the training for the Apprenticeship involved significant off-the-job training which took place outside of the employer's premises with an external training provider. Most of the time apprentices took this training in the form of day-release. Some employers indicated that there were times when the classroom-based training required apprentices to attend college for a longer period (for example, one week). Employers felt that the structure of training suited them and their apprentices. As the training was scheduled in advance employers felt that they were able to accommodate apprentices being out of the office with little disruption. Employers mostly indicated that the training providers tended to have a design for the delivery of AAT training which the employers and their apprentices easily fitted into. Employers did not have much, if any, input into this aspect of the Apprenticeship but most often this was not viewed negatively by the employer. The main concern, indicated by all employers, was that the apprentices received appropriate classroom based training to ensure they grasped the theoretical knowledge behind the AAT. Box 6 describes how one employer regarded the importance of off-the-job training.

The on-the-job training elements of the Apprenticeship fitted around the job role an apprentice filled within the organisation. Most apprentices worked with line managers and other more senior members of staff on a regular basis so that any support or assistance apprentices required could be readily accessed during work. One employer, the education establishment – Employer No.9 - also gave their apprentice the opportunity to undertake other training offered internally such as spread sheet and word-processing courses. Many employers provided their apprentices with a mentor or 'buddy'. In some cases this person would have recently completed the same training, or something similar, so that they could relate to the apprentice's situation and provide help with specific issues to do with the content of AAT training.

Box 6: Value of off-the-job training for employers

This employer - Employer No. 2 - is an accountancy firm with 70 employees. They currently have three apprentices at different points along their programme which encompasses Levels 2, 3 and 4. This employer felt that the Apprenticeship provided a good structured approach to training. They felt that the off-the-job training in which apprentices accrued theoretical knowledge was economically valuable to the employer as apprentices could relate this to their practical learning at work. The classroom-based teaching saves the employer having to teach everything to apprentices in the workplace. Having at least some of the rudimentary knowledge delivered outside the workplace allows the apprentices to hone their skills in the workplace and engage in further learning. This saves time for the employer.

Source: IER Net Costs and Benefits of Training in Accounting Study

Employers felt that although it was not necessarily always formalised, on-the-job training was a crucial part of the Apprenticeship and was of great value for the apprentice as it allowed them to put into practice various aspects of their off-the-job learning. A number of employers indicated that on-the-job training and support was provided by staff from different levels in the organisation and that this too was an important part of the training as it gave apprentices exposure to different levels of expertise.

All of the employers interviewed used an external training provider to provide off-the-job training, mainly the AAT training, and assessment of their apprentices. The training providers included colleges and private providers. As stated above, employers, on the whole, felt that they did not have much input into the structure and delivery of the Apprenticeship part delivered by the provider. They recognised the need for the training to adhere to the AAT syllabus and that this required significant amounts of classroom teaching. Most felt that the assessment visits carried out by the provider did not disrupt the business much but some employers reported that the assessment of the non-AAT elements of the Apprenticeship were less essential and introduced a cost and inconvenience to the business without adding much value.

4.2 Employers' Costs of Delivering the Apprenticeship

Using the approach adopted in the IER series of Net Costs and Benefits of Training studies, the information provided by employers has been analysed in order to establish an indication of the overall financial costs and benefits of providing these apprenticeships.⁴ Amongst the costs considered in this estimate are: trainee salaries; direct course/exam fees; direct recruitment costs; and the costs of supervision of apprentices provided by more senior members of staff. The main benefit recorded in this approach is the productive contribution of apprentices during the training period.

The salary or wages paid to apprentices varied between £5,900 a year (£2.95 an hour) to £15,000 a year in the first year of training (where apprentices start with Level 2/3 training) across the employers interviewed. All of the employers interviewed paid more than the current National Minimum Wage (NMW) for apprentices (£2.68 per hour). The wages of

⁴ Gambin, L., Hasluck, C. and Hogarth, T. (2010) 'Recouping the costs of apprenticeship training : employer case study evidence from England', *Empirical Research in Vocational Education and Training*, 2 (2), 127 - 146

apprentices increased over their training period where they were undertaking training for more than 12 months. One employer set their Apprenticeship pay levels at the NMW level for a person's age but not the apprentice NMW. Wage levels, it was reported, reflected the level of investment made by the employer in the apprentices' development – that is, through time spent by more senior staff in providing on-the-job training, support and mentoring as well as being involved in assessment procedures with the external assessor/training provider. Apprentices were also out of the workplace for significant amount of time for classroom-based training which the employer acknowledged as being a vital component of the programme but which represented a cost in the lost productive contribution of the apprentice. Employers felt it was however inappropriate to pay apprentices very low wages (e.g. at the level of NMW for apprentices) as they fulfilled important roles in their organisations.

The level of supervision required for apprentices during the training period usually decreased over time. Incremental increases in pay over the training period (where longer than one year) reflected this decrease in supervision (and increase in production by the apprentice). A number of employers indicated however that a certain level of supervision or contact with senior members of staff was constant over the entire training period as apprentices took on increasingly complex tasks and more responsibility as they progressed.

Five of the nine employers interviewed paid some fees to their training provider. The amount reported for the Level 4 Apprenticeship ranged from £300 to £1,200 for each apprentice. The level of fees paid depended on a number of factors including the apprentice's age (higher fees being associated with older apprentices). As most of the employers had apprentices who were aged under 24 years when they started their Apprenticeship there was often little or no direct financial contribution required of the employer. A number of employers indicated that prior to providing this type of training through Apprenticeship (as discussed above) they had made payments to their training provider typically paying all the fees for training and examinations associated with the AAT qualification.

4.3 Employers' Benefits

Employers were asked to estimate the productive contribution of their apprentices at different points over the training period. This was estimated as a percentage of the tasks of a fully experienced worker (in the job for which apprentices should be qualified post-completion of their training) which apprentices would be able to carry out. Employers reported that the productivity of apprentices increased over the training period. A number of employers felt that it was difficult to estimate this figure. As apprentices were given tasks to do which met their current level of ability and these tasks needed to be undertaken by someone within the firm they were fully productive, but this was in a role that would not be filled by someone with the qualification which the apprentices were training towards completing. Where employers felt confident in estimating the productive contribution of apprentices as a share of the tasks of fully skilled workers they indicated that this productivity would be lowest during the first year of training, particularly when undertaking an initial Level 2 Apprenticeship in accountancy. Most employers felt that even at the end of the Higher Apprenticeship apprentices would not be fully productive as there was still more for them to learn after completion of their training. The level of

productivity in the last year of the Higher Apprenticeship however was typically thought to be 90 per cent of a fully skilled worker's contribution or more.

4.4 Estimating the Net Costs of Apprenticeship

Table 4.1 summarises the average costs and benefits across all employers for which data were available. These figures relate to the Level 4 Higher Apprenticeship in Accounting and do not include any values in relation to lower levels of training though many of the employers indicated that their apprentices typically progressed from Level 2 through Level 3 and Level 4. The average total cost of training apprentices at Level 4 was found to be just under £18,000 for each apprentice. The average total benefit was £15,285. The resulting average net cost of the Higher Apprenticeship in accountancy was found to be £2,707 for each apprentice. The reader must bear in mind that this is an indicative estimate due to the low number of observations on which it is based. Nevertheless, this figure provides some sense of the overall level of investment required of employers in training their staff to a Level 4 qualification in accounting.

Table 4.2 indicates the range of costs and benefits reported by employers in the study. The lowest net cost found amongst employers was £227 for each apprentice and the highest net cost was £6,037 for each apprentice. The productive contribution of the apprentice during training was 100 per cent in the low cost example whereas it was lower, 85 per cent, in the high cost case. Supervision costs were higher in the high cost example (£5,316) compared to the low cost case (£2,772) and fees too were higher (£680 compared to £300 in the low cost example). Again, since this study has only considered responses from nine employers, the figures provided in Table 4.2 are indicative of the possible range of investment levels for this training programme across employers.

In the Net Benefits of Apprenticeships to Employers series of studies⁵ data provided by employers about their investments in Apprenticeship and other forms of work-based learning were analysed to provide an indication of how long after the Apprenticeship it would take for employers to recoup their investment. The calculation of this 'payback period' assumes that the apprentice stays with their employer for a period of time after completion of the training period. Taking the average net costs as presented in Table 4.1, an employer may expect to recoup their investment in a Higher Apprenticeship in Accounting in just less than nine months post-completion. Across all of the case studies the payback period ranged between within two months after completion of the Apprenticeship to just over three years post-completion. Again, these estimates should be considered indicative due to the small number of observations on which they are based.

⁵ Hogarth, T., Gambin, L., Winterbotham, M., Koerbitz, C., Hasluck, C., Baldauf, B. (2012) *Employer Investment in Apprenticeships and Workplace Learning: The Fifth Net Benefits to Employers Study*, London: Department for Business Innovation and Skills, Research Report 67

Table 4.1: Average costs and benefits of Higher Apprenticeship in Accounting

	Average values
Basic Information	
Apprentice salary (p.a.)	£12,378
Salary of Fully Experienced Worker (p.a.)	£16,272
Apprentice productivity (as % of experienced worker tasks)	83%
Supervision Costs	
% of Training Manager's time	6%
% Line Manager's time	4%
% Supervisor's time	4%
Training Manager's salary (p.a.)	£31,183
Line Manager's salary (p.a.)	£31,250
Supervisor's salary (p.a.)	£22,010
Costs	
Recruitment	£0
Course fees	£247
Supervision costs (including employer NIC and PAYE)	£4,635
Apprentice pay (including employer NIC and PAYE)	£13,110
Administrative costs	£0
Total Costs	£17,992
Benefits	
Apprentice product (including employer NIC and PAYE)	£15,285
Other income	
Total Benefits	£15,285
COSTS MINUS BENEFITS	£2,707

Source: IER Net Costs and Benefits of Training in Accounting Study

Table 4.2: Examples of low and high net cost Higher Apprenticeships

	Low net cost	High net cost
Basic Information	Year 1	Year 1
Apprentice salary (p.a.)	£10,500	£14,106
Salary of Fully Experienced Worker (p.a.)	£13,000	£16,401
Apprentice productivity (as % of experienced worker tasks)	100%	85%
Supervision costs		
% of Training Manager's time		10%
% Line Manager's time	2.5%	5%
% Supervisor's time	5.0%	
Training Manager's salary (p.a.)		£33,000
Line Manager's salary (p.a.)	£40,000	£30,000
Supervisor's salary (p.a.)	£30,000	
Costs		
Recruitment	£0	£0
Course fees	£300	£680
Supervision costs	£2,772	£5,316
Apprentice pay	£10,973	£15,077
Administrative costs	£0	£0
Total Costs	£14,045	£21,073
Benefits		
apprentice product	£13,818	£14,766
other income	£0	£0
Total Benefits	£13,818	£14,766
NET COST	£227	£6,307

Source: IER Net Costs and Benefits of Training in Accounting Study

5. Conclusion

Many of the accountancy practices had recurrently recruited young people straight out of school to training positions which would eventually lead to the completion of the AAT qualification. Upon completion the former trainees would be in a position to fill a number of junior accountancy roles within the organisation and commence higher level training which may eventually lead to Chartered or Certified status. In many respects the training provided was akin to an apprenticeship insofar as it combined off-the-job training – usually at the premises of a training provider – with practical job experience where skills learnt could be applied in a work setting.

Many employers were already providing training at Levels 2 and 3 via Government funded Apprenticeships in accounting prior to the Level 4 Higher Apprenticeship being introduced. At the end of the Level 3 Apprenticeship apprentices would go on to complete a Level 4 AAT qualification in accounting. With the introduction of a Level 4 Apprenticeship this training in several instances was now subsumed into the Apprenticeship programme.

Employers were in many cases persuaded by their training providers to move their Level 4 training under the Apprenticeship banner. This presented some cost savings insofar as the employer paid less, or nothing, for training but faced some additional costs relating to the additional components which needed to be undertaken in order to complete the Apprenticeship.

Given that Level 4 Accounting Apprenticeships are a relatively new development employers were still in a position of learning about the contribution the additional elements of training required by the Apprenticeship would confer on their businesses. For the time being employers were willing to participate in the programme so long as, at worst, it cost no more than the training programme it replaced. For employers the most important aspect was that of their apprentices obtaining their AAT accreditation.

Where employers participated in the Level 4 Apprenticeship in Accounting it took, on average, around a year for their apprentices to complete, at a net cost to the employer of around £2,700. It is estimated that this would take the employer around nine months to recoup once the Apprenticeship had been completed.

At face value the evidence suggests that the introduction of the Level 4 Apprenticeship in Accounting has allowed employers to switch from a largely self-funded programme of training to one where the training provider is in receipt of public funding to deliver training. This would be a harsh judgement of the Apprenticeship. The evidence suggests that employers, or at least their apprentices, are required to fulfil a broader range of training. It is likely to take some time for employers to assess the impact the broader programme of training will have on their businesses.

It is also apparent that the Apprenticeship brand is a relatively strong one and this may have some scope to: (a) attract more relatively well qualified young people to consider an Apprenticeship in accounting; and (b) persuade more employers, especially those employers which have a demand for accountants but lie outside of the accountancy

industry, to recruit apprentices. The evidence suggests that the cache attached to Apprenticeships was sufficient for some employers to participate in Apprenticeships and in doing so meet both their business needs and their corporate social responsibilities.

Finally, the results provided above should be interpreted with care. The findings are based on a small sample of employers and should be regarded as indicative rather than definitive.

Appendix A: Case Study Interview Schedule

1. Background and Introduction

- Explain Purpose of Study: to identify the costs to the employer of training people under Apprenticeships or training people where the output is a formal qualification at Level 4 in Accountancy. Note that the purpose is to discuss the situation where people have already completed.
- Obtain background details of company not already known (size, sector, market conditions, *etc.*)

2. Details of Current Training Programme

- How did the employer train people before the Apprenticeship? [NOTE TO INTERVIEWER: Need to probe for each of the questions below about how the Apprenticeship compares with the previous training]. [NOTE TO INTERVIEWER: Probe around whether Apprenticeship a substitute for graduate recruitment or whether a new means of training school leavers with, for example, A-levels]
- How long does it take to complete the Apprenticeship / training – and how many people are there currently in each year of the Apprenticeship / training programme.
- How long has the organisation been involved in the delivery of this form of training? / Is the organisation recruit recurrently to the training programme?
- How often is the decision to engage in this form of training reviewed?
- Who is being trained
 - a new trainee recruited from school/college or the external labour market
 - an existing employee
 - both
- How old were the current apprentices / trainees when they start their training: 16-18 / 19-24 / 24 years +
- Are apprentices / trainees already part trained when they commence their training (e.g. have exemptions from parts of the training, and if so, what exemptions).

3. The Training Decision

- Why did the employer decide to use the Apprenticeship rather than other means of professional qualification? [NOTE TO INTERVIEWER: In all of the questions below there is a need to identify the relative benefits of using Apprenticeship rather than other some form of
- Why employers train: what is the main reason for the organisation's decision to train?
 - Prompts: business expansion, replacing people who have left or about to leave, moves into new business areas
- What benefits does the employer obtain from training?
 - Ask open ended and then probe on the following if not mentioned. The questions should be framed with reference to the benefits over and above recruiting from the external labour market:
 - Improved supply of skilled people
 - Cadre from which to select future supervisors and managers
 - Brings new ideas into the company / ensures skills base is up to date
 - Better fit between skills supply and needs of the business
 - Better retention rates

- Who makes the decision about how many people to be trained – which members of staff are included / who gives the final authorisation?
- Was the organisation approached by a training provider and encouraged to participate in training?
- Is the final decision made locally or at head office (if relevant)
- Does a business case need to be made? What is included in the business case:
 - Identify which costs are included
 - What qualitative benefits are included
- What was particularly attractive about the Apprenticeship or training course the organisation decided to use? Prompt around:
 - Relevance of training to needs of the business
 - Cost
 - The structure and duration of training
 - Because it has always trained in this way
- How does the organisation decide how many people to train each year
 - Explore sensitivity to cost issues

4. Entry requirement to be eligible for recruitment

- Academic qualifications (collect details of minimum requirement)
- Experience (collect details)
- Attitudes/aspirations of candidate
- How are Apprentices / trainees selected?
 - Details of the recruitment process
 - Probe around why train people internally (if applicable) rather than recruit new trainees
 - Probe around age of preferred recruits to a training programme or Apprenticeship
 - Are certain age groups easier to train than others (e.g. are older people easier to train because they have labour market experience, or are younger people easier because they have fewer preconceived ideas about what they need to learn).
- Difficulties experienced recruiting trainees
 - Explore conditions in the local labour market
 - Reasons for any difficulties
- Career prospects for trainees once fully trained. What is the apprentice qualified to do in accountancy at the point they complete (i.e. what types of task can they undertake, are there areas where they would require further training / qualification before they would be allowed to practice, if so, what are these?)
 - check whether there is a training programme which continues after the Apprenticeship – e.g. to higher levels of professional qualification / chartered or certified status
- Details of retention rates after initial training
 - Specific policies in place to retain people once trained
 - Is there a career track for people after training – where does this usually lead (i.e. what has happened to previous cohorts of people the organisation has trained)

5. Structure of training

The aim here is to take the interviewee through the structure of the training they provide and identify the costs attached to each part.

- How much say has the employer over the structure of training
- How much on-the-job and off-the-job training
- What modes of training are used: distance learning, e-learning, *etc.*
- What elements does the employer find economically valuable
- Recognition of importance of each element of training for employer and trainee
- How often is the structure of training reviewed by the employer

[NOTE TO INTERVIEWER: Using the spreadsheet obtain information about each of the main costs] Need to probe around how much the employer pays the training provider and whether this is considered value for money.

Note: Need to identify how many people drop out in each year of the training programme.

- Check whether the Apprenticeship / training programme comprises the entire programme of training the employer expects to deliver, or whether this is just the start of a longer programme of training the employer would expect to deliver to a given occupational group once the Apprenticeship / training programme is complete.

6. Relationship with training provider

- Who is the training provider?
 - What role do they play (provide training, accredit training, or just supervise training undertaken by employer)
 - How long has the relationship been in place
- Explore whether the organisation funds the trainer
 - How much is expended per trainee / apprentice per year
- Satisfaction with training and training provider (and reasons)
- How often is consideration given to testing the market for training providers

***** END INTERVIEW AND THANK RESPONDENT *****

Core data to be collected

	Year 1	Year 2	Year ...n	Total
Total number of apprentices or trainees				
Number of apprentice or trainees who drop-out without completing				
Apprentice or trainee salary (£ p.a.)				
Salary of Fully Experienced Worker (£ p.a.)				
Trainee productivity (% of skilled workers)				
Supervision (per apprentice or trainee)				
% of Training Manager's time spent training				
% of Line Manager's time spent training				
% of Supervisor's time spent training				
Training Manager's Salary (£ p.a.)				
Line Manager's Salary (£ p.a.)				
Supervisor's Salary (£ p.a.)				
Total training costs per apprentice or trainee (£)				
Costs of recruiting the apprentice or trainee				
Course fees				
Supervision costs				
Apprentice or trainee salaries				
Employer's NI contributions				
Administrative costs				
Total cost				
Total training benefits per apprentice or trainee (£)				
Apprentice or trainee product				
Other income (please specify)				
Total benefit per apprentice or trainee				
Net cost per apprentice or trainee				
Net Cost including drop out				
State funding for Framework (from BIS data)				
% of total cost met by Employer				

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